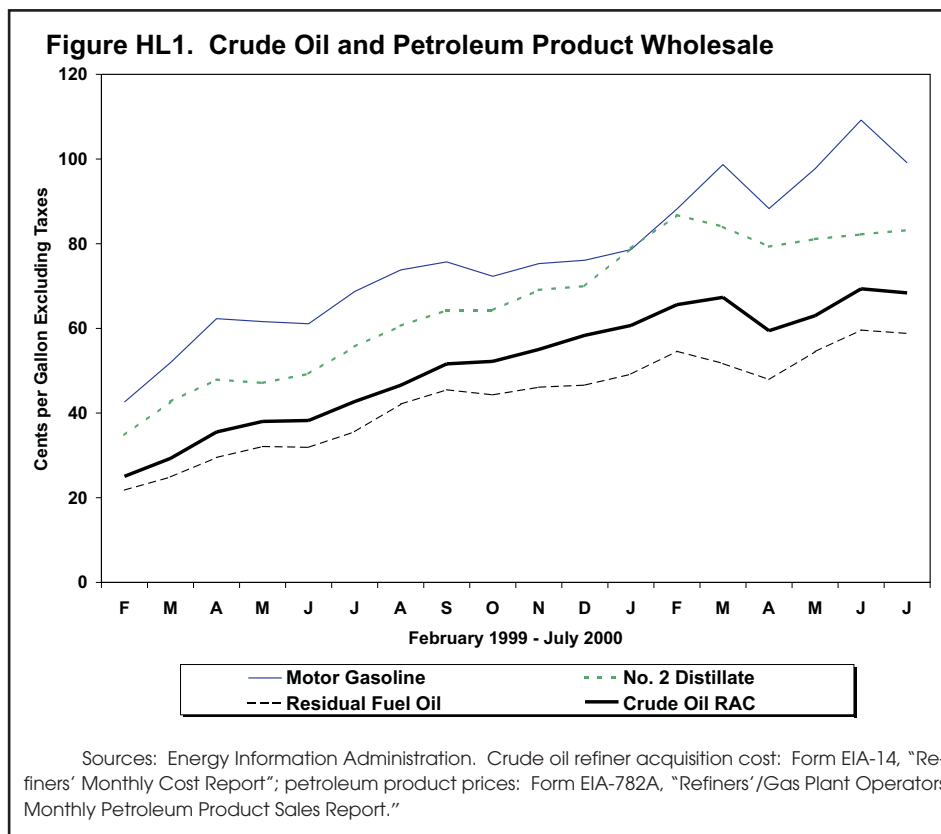


# Highlights

International crude oil prices decreased in July, predominately in reaction to rising production rates for the product. In combination with the 708,000 barrels-per-day increase in wellhead production from Organization of Oil Exporting Countries (OPEC) beginning July 1, a statement from Saudi Arabia early in the month proposing a plan to supply up to an additional 500,000 barrels per day starting at the end of July contributed to the decline. The plan included the option of other OPEC members with spare production capacity contributing to the increase. However, conflicting information in the days following the announcement cast doubts about the probability of the Saudi plan becoming effective in the immediate future. The uncertainty surrounding the situation dampened the month's initial downward price trend and led to price volatility in key markets. By mid-month, OPEC officials announced they would not implement the plan because the aggregate price for the group's reference basket of crude oil fell below a \$28-per-barrel mark. According to the group's price band system, the reference price must remain above \$28 for at least twenty days before they implement a production increase. However, during the second half of the month, informal talk of possible production increases from several OPEC members prompted prices to return to a declining path.

Prices also declined for crude oil and finished products in the United States during July. Gasoline prices in Midwestern cities fell from the dramatic highs seen last month as disturbances in regional distribution systems abated, allowing more product to reach affected areas. California spot market prices for gasoline also eased from a sharp upturn in late June. The regional refinery

problems that prompted the price spike were resolved and the supply and demand for physical product returned to a more balanced level. Monthly average data for stocks of the major products at the U.S. level show only marginal decreases for crude oil and gasoline from June levels, while stocks of distillates exhibited about a 6 percent increase. Despite those data, the longer term view remained troubling. Inventories remained at low levels, especially for crude oil and distillates. Notably, by the last week of July, crude oil stocks were nearing 24-year lows for the same period. The ongoing thinness of distillate stocks began to generate concern about the availability and price of heating oil in the coming heating season. Additionally, crude oil stocks were nearing 24-year lows by the end of the month. Year-on-year data show crude oil stocks 5.6 percent lower in July 2000, while total distillates stocks reveal a 17.7 percent drop in level from last year. Fig-



**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

| Products                              | Sales to End Users |        |           |        |           |        | Sales for Resale |        |           |        |           |        |
|---------------------------------------|--------------------|--------|-----------|--------|-----------|--------|------------------|--------|-----------|--------|-----------|--------|
|                                       | July 2000          |        | June 2000 |        | July 1999 |        | July 2000        |        | June 2000 |        | July 1999 |        |
|                                       | Price              | Volume | Price     | Volume | Price     | Volume | Price            | Volume | Price     | Volume | Price     | Volume |
| <b>Motor Gasoline</b> .....           | 116.2              | 62.6   | 121.3     | 63.6   | 80.3      | 62.7   | 99.1             | 314.4  | 109.2     | 324.2  | 68.6      | 316.6  |
| <b>Conventional</b> .....             | 113.2              | 37.5   | 120.4     | 37.8   | 77.1      | 38.0   | 94.7             | 213.9  | 107.1     | 220.1  | 65.3      | 211.4  |
| Regular .....                         | 110.0              | 28.6   | 118.1     | 29.0   | 73.3      | 26.6   | 93.0             | 175.3  | 105.8     | 180.8  | 63.3      | 161.0  |
| Midgrade .....                        | 120.2              | 5.1    | 125.5     | 5.1    | 82.9      | 6.2    | 99.1             | 13.0   | 110.9     | 13.4   | 69.2      | 16.1   |
| Premium .....                         | 127.5              | 3.8    | 131.5     | 3.8    | 90.1      | 5.2    | 104.0            | 25.5   | 114.1     | 25.9   | 72.9      | 34.3   |
| <b>Oxygenated</b> .....               | 112.0              | 1.9    | 128.6     | 1.9    | 86.0      | 2.0    | 102.2            | 7.2    | 116.1     | 7.2    | 74.0      | 5.5    |
| Regular .....                         | 109.4              | 1.6    | 126.4     | 1.6    | 84.3      | 1.6    | 101.4            | 5.7    | 114.7     | 5.8    | 73.5      | 4.2    |
| Midgrade .....                        | 120.8              | 0.2    | 136.7     | 0.2    | 90.6      | 0.2    | 100.5            | 1.0    | 119.9     | 1.0    | 71.8      | 0.9    |
| Premium .....                         | 129.8              | 0.1    | 145.9     | 0.1    | 97.0      | 0.2    | 115.0            | 0.5    | 124.6     | 0.5    | 83.0      | 0.4    |
| <b>Reformulated</b> .....             | 121.4              | 23.2   | 122.2     | 23.9   | 85.0      | 22.6   | 109.0            | 93.4   | 113.5     | 96.9   | 75.3      | 99.7   |
| Regular .....                         | 117.7              | 16.6   | 118.7     | 17.1   | 80.8      | 15.4   | 105.9            | 68.3   | 111.1     | 70.7   | 72.4      | 68.7   |
| Midgrade .....                        | 127.3              | 3.4    | 127.8     | 3.6    | 90.6      | 3.7    | 114.9            | 8.4    | 117.7     | 8.9    | 79.2      | 10.7   |
| Premium .....                         | 135.0              | 3.1    | 135.0     | 3.2    | 97.5      | 3.5    | 118.7            | 16.6   | 121.4     | 17.3   | 83.2      | 20.2   |
| <b>Aviation Gasoline</b> .....        | 142.1              | 0.1    | 140.8     | 0.2    | 107.9     | 0.2    | 139.7            | 0.8    | 142.1     | 0.7    | 103.6     | 0.9    |
| <b>Kerosene-Type Jet Fuel</b> .....   | 84.1               | 53.4   | 80.2      | 53.6   | 54.9      | 49.4   | 83.6             | 15.4   | 79.9      | 15.2   | 53.7      | 15.2   |
| <b>Propane (Consumer Grade)</b> ..... | 55.2               | 2.2    | 54.4      | 2.2    | 41.2      | 2.7    | 54.6             | 27.6   | 53.8      | 29.7   | 34.7      | 29.0   |
| <b>Kerosene</b> .....                 | 90.6               | 0.1    | 88.4      | 0.1    | 60.4      | 0.1    | 83.1             | 1.9    | 80.4      | 1.6    | 53.0      | 1.1    |
| <b>No. 1 Distillate</b> .....         | 92.2               | 0.1    | 91.1      | 0.2    | 62.1      | 0.1    | 89.8             | 0.3    | 90.2      | 0.3    | 63.3      | 0.3    |
| <b>No. 2 Distillate</b> .....         | 87.5               | 24.1   | 86.2      | 25.8   | 58.1      | 23.4   | 83.2             | 113.6  | 82.2      | 121.6  | 55.6      | 112.6  |
| No. 2 Fuel Oil .....                  | 84.7               | 2.4    | 84.5      | 2.7    | 53.7      | 3.0    | 81.0             | 15.8   | 80.3      | 16.3   | 51.2      | 17.1   |
| No. 2 Diesel Fuel .....               | 87.8               | 21.6   | 86.4      | 23.1   | 58.8      | 20.4   | 83.5             | 97.9   | 82.5      | 105.2  | 56.4      | 95.4   |
| Low Sulfur .....                      | 90.1               | 14.2   | 88.4      | 16.0   | 61.5      | 13.5   | 83.8             | 85.3   | 83.0      | 90.8   | 57.0      | 81.9   |
| High Sulfur .....                     | 83.4               | 7.5    | 81.9      | 7.1    | 53.4      | 6.9    | 81.5             | 12.5   | 79.3      | 14.5   | 52.7      | 13.5   |
| <b>No. 4 Fuel<sup>a</sup></b> .....   | 63.6               | 0.1    | 66.3      | 0.2    | 46.3      | 0.4    | 71.6             | 0.0    | 74.9      | 0.1    | 43.4      | 0.1    |
| <b>Residual Fuel Oil</b> .....        | 60.2               | 11.5   | 62.7      | 12.7   | 37.4      | 13.7   | 58.8             | 10.2   | 59.6      | 11.9   | 36.1      | 11.1   |
| Sulfur Content not > 1 % .....        | 71.3               | 2.3    | 70.2      | 3.5    | 40.9      | 4.6    | 64.9             | 5.7    | 65.8      | 5.5    | 38.6      | 4.4    |
| Sulfur Content > 1 % .....            | 57.5               | 9.2    | 59.7      | 9.1    | 35.7      | 9.2    | 51.1             | 4.5    | 54.3      | 6.4    | 34.5      | 6.7    |

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

ures for total finished gasoline stocks show less than 1 percent difference. Despite a spate of refinery problems across the country, the average utilization rate was just above 96 percent for the second month in a row.

While not as profound as last month, current and year-ago spot market prices for major products at New York Harbor continue to show significant differences. The monthly average spot price for West Texas Intermediate (WTI) crude oil last July was \$20.10 per barrel, while the July 2000 average price was \$29.70 per barrel, a 47.8 percent increase. The spot price for conventional regular gasoline averaged 58.3 cents per gallon in July 1999 and 85.9 cents per gallon this year. The average price for No. 2 heating oil was 50.0 cents per gallon in July 1999 and 78.1 cents per gallon in July 2000. At the

retail level, the contrast in prices is more acute. The national average outlet price for conventional regular was \$1.129 per gallon in July 2000 and 40.8 cents per gallon in July 1999. The national average retail price for No. 2 distillate was 95.6 cents per gallon this year and 70.9 cents per gallon in July 1999.

Additional July market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

Although experiencing a period of growth at mid-month, the daily spot price for West Texas Inter-

mediate (WTI) at Cushing, Oklahoma declined overall during July. Opening at \$32.44 per barrel, the price declined gradually during the next ten days. The price began to rise as conflicting information regarding whether another production increase from OPEC would take place in the near future. The price reached its high of \$31.94 per barrel on July 18 when OPEC announced a production increase would not be forthcoming. The price began to fall as signals from producers suggested a willingness to increase production as early as August continued. The price dropped through the end of the month and closed July at \$27.50 per barrel, its lowest level since the beginning of May.

- Monthly average crude oil prices declined in most categories during July. The average domestic crude oil first purchase price fell \$1.08 (3.9 percent), to \$26.80 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil dropped \$1.29 (4.7 percent), to \$26.15 per barrel. The average landed cost of foreign crude oil declined 53 cents (1.9 percent), to \$28.05 per barrel.
- The average refiner acquisition cost for domestic crude oil shows the only increase, rising (1.7 percent), to \$29.95 per barrel. The average cost of imported crude oil to U.S. refiners decreased 93 cents (3.2 percent), to \$27.98 per barrel. The composite refiner acquisition cost for crude oil fell 43 cents (1.4 percent), to \$28.72 per barrel.

## Petroleum Products

### *Motor Gasoline*

At New York Harbor, the daily spot price for regular gasoline varied widely during July, ranging more than 17 cents over the month. After opening at 94.2 cents per gallon, the price dropped nearly 10 cents per gallon following the long July 4 weekend as data showed an unexpected increase in stocks. The price rebounded shortly after that as news of refinery outages in the East and Midwestern regions of the country were reported. The price reached 92.9 cents per gallon on July 18, then entered a period of decline for the next week. The month's low of 75.3 cents per gallon was struck on July 24. Rebounding after that point, the price closed July at 86.0 cents per gallon.

- July national average gasoline prices dropped across the board, in some cases by a considerable amount. The average price for retail sales of motor gasoline by refiners declined 5.1 cents to \$1.162 per gallon, while the average wholesale price dropped 10.1 cents to 99.1 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 6.9 cents to \$1.150 per gallon. The average wholesale price declined 9.7 cents to 99.5 cents per gallon. The average dealer tank wagon (DTW) price decreased 4.7 cents to \$1.096 per gallon, while the average rack price plunged 13.5 cents to 96.2 cents per gallon. The average price for bulk sales fell 5.8 cents to 91.9 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 8.0 cents at retail and 12.8 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 1.9 cents at retail and 5.6 cents at wholesale.
- Gasoline sales by refiners declined during July. Total sales fell 10.8 million gallons per day (2.8 percent), to an average of 377.0 million gallons per day. Retail sales dropped 1.0 million gallons per day (1.6 percent), while wholesales decreased 9.8 million gallons per day (3.0 percent). Rack sales accounted for 64.2 percent of wholesales, while DTW and bulk sales made up 21.7 percent and 14.1 percent, respectively. Reformulated gasoline (RFG) accounted for 30.9 percent of total motor gasoline sales, while oxygenated gasoline explained 2.4 percent.

### *No. 2 Distillate*

The daily spot price for No. 2 heating oil at New York Harbor remained comparatively quiet during July despite growing concern about stock levels of No. 2 heating oil for the coming heating season. Opening at 93.0 cents per gallon, the price mostly drifted downward during the following weeks, due to a lack of any market developments that would affect it. The price reached the low of 74.5 cents per gallon on July 24. After posting small gains during the final days of the month, the price closed July at 77.8 cents per gallon.

- Monthly average No. 2 distillate prices for July exhibit only small changes. The national average residential price decreased 0.8 cent to \$1.155 per gallon. The average wholesale price increased 1.1 cents to 83.5 cents per gallon. The average price for No. 2 diesel fuel rose 0.4 cent at company-operated retail outlets, while the average wholesale price climbed 1.0 cent. The difference between low- and high-sulfur

diesel fuel prices was 4.2 cents at retail and 1.9 cents at wholesale.

- Refiner sales of No. 2 distillates during July generally declined from June rates. Total sales of No. 2 distillate dropped 9.6 million gallons (6.5 percent), to 137.7 million gallons per day. Sales of No. 2 fuel oil declined 800,000 gallons per day (4.2 percent), while sales of No. 2 diesel fuel fell 8.8 million gallons per day (6.9 percent). Low-sulfur diesel fuel formed 83.3 percent of all refiner diesel fuel sales and 72.3 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- Monthly average residual fuel oil prices fell in most categories of sales during July. Refiner prices for low-sulfur residual fuel rose 1.1 cents to 71.3 cents per gallon at retail, but fell 0.9 cent to 64.9 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail declined 2.2 cents to 57.5 cents per gallon, while the wholesale price dropped 3.2 cents to 51.1 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price fell 1.1 cents to 66.0 cents per gallon at retail, and 0.8 cent to 64.1 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil declined 1.2 cents to 58.4

cents per gallon at retail, and 1.9 cents to 52.9 cents per gallon at wholesale.

- Residual fuel oil sales by refiners generally declined during July. Total sales dropped 2.9 million gallons per day (11.8 percent), to 21.7 million gallons per day. Low-sulfur residual fuel sales fell 1.0 million gallons per day (11.1 percent), while high-sulfur residual fuel oil sales declined 1.8 million gallons per day (11.6 percent).

### *Other Products*

- Refiner propane prices increased 0.8 cents per gallon at both retail and wholesale. Including data from a sample of propane marketers, the average residential propane price dropped 3.5 cents per gallon. The average retail price for propane fell 1.6 cents, while the wholesale price rose 1.3 cents per gallon. Prices for kerosene-type jet fuel and kerosene increased at both levels, while prices for No. 4 distillate declined at both retail and wholesale. No. 1 distillate and aviation gasoline prices increased at retail but fell at wholesale.
- Sales of these products by refiners were mixed during July. Sales of propane declined at both retail and wholesale, as did sales of No. 1 distillate and No. 4 distillate. Sales of kerosene-type jet fuel, aviation gasoline, and kerosene decreased at retail but rose at wholesale.

